

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 SP-02 USIA-15 AID-05 EB-07 NSC-05

CIEP-02 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

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FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 9275

US TREASURY WASHDC

INFO AMCONSUL BOMBAY

AMCONSUL MADRAS

AMCONSUL CALCUTTA

UNCLAS NEW DELHI 15927

TREASURY FOR HOOPENGARDNER

E.O. 11652: N/A

TAGS: EFIN IN

SUBJECT: INDIA'S BALANCE OF PAYMENTS, CY 1975, 1976 AND 1977

REF: NEW DELHI 10121

1. THE FOLLOWING ARE BALANCE OF PAYMENTS FIGURES FOR
CY 1975, REVISED ESTIMATES FOR CY 1976, AND PROJECTIONS FOR
CY 1977. ALL FIGURES ARE IN DOLLAR MILLIONS CONVERTED AT
RS. 8.4 (1975), AND RS. 9.0 (1976 AND 1977) TO THE DOLLAR.

	CY 1975	CY 1976 EST	CY 1977 PROJ.
EXPORTS, FOB	4,350	5,050	5,250
IMPORTS, FOB	5,490	4,670	5,300

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TRADE BALANCE -1,140 380 -50

EXPORT OF SERVICES	500	500	500
IMPORT OF SERVICES	-1,852	-1,700	-2,000
NET PRIVATE TRANSFERS	1,000	1,400	1,200
NET GOVERNMENT TRANSFERS	200	200	200
CURRENT ACCOUNT BALANCE	-1,292	780	-150
LONG TERM CAPITAL, NET	960	1,000	800
BASIC BALANCE	332	1,780	650
SHORT TERM CAPITAL	170	200	200
OVERALL BALANCE	-162	-1,980	850
FINANCED BY:			
CHANGE IN RESERVES	-48	-1,632	-380
(-) INCREASE			
USE OF IMF CREDIT	210	-348	-470
YEAR-END RESERVES	1,373	3,005	3,385

2. ESTIMATES FOR 1976

A. TRADE DATA - EXPORT AND IMPORT ESTIMATES FOR CY 1976 HAVE BEEN REVISED ON THE BASIS OF LATEST AVAILABLE DATA. FOR JANUARY-AUGUST 1976, TOTAL INDIAN EXPORTS FOB WERE RS. 30.3 BILLION AND IMPORTS CIF WERE RS. 29.4 BILLION. FOR CY 1976, AT A CONVERSION RATE OF RS. 9 EQUALS U.S. DOLLAR, EXPORTS ARE PROJECTED AT RS. 45.4 BILLION OR DOLLARS 5.05 BILLION AND IMPORTS, WITH AN APPROXIMATELY 7 PERCENT MARGIN FOR ANTICIPATED UPWARD REVISION OF IMPORT DATA, ARE PROJECTED AT RS. 46.8 BILLION OR DOLLARS 5.2 BILLION CIF AND RS. 42.1 BILLION OR DOLLARS 4.67 BILLION FOB.

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B. NET PRIVATE TRANSFERS - NET PRIVATE TRANSFERS HAVE BEEN REVISAMWNTARD FOR CY 1976 IN VIEW OF THE PRESENT LEVELING OFF OF INWARD REMITTANCES RESULTING FROM INTERNATIONAL EXCHANGE RATE FLUCTUATIONS AND ALSO IN VIEW OF LIBERALIZATION OF GOI CONTROLS ON RELEASE OF FOREIGN EXCHANGE TO INDIAN BUSINESSMEN AND OTHERS FOR THE PURPOSE OF EXPORT PROMOTION IN FOREIGN COUNTRIES.

3. PROJECTIONS FOR 1977

A. TRADE DATA - EXPORTS ARE PROJECTED TO GROW AT 5 PERCENT AT 1976 PRICES COMPARED WITH REAL GROWTH OF AROUND 8 PERCENT IN RECENT YEARS. EXPORTS OF SUCH COMMODITIES AS SUGAR, SILVER, JUTE GOODS, AND COTTON TEXTILES ARE UNLIKELY TO SHOW ANY APPRECIABLE INCREASE IN CY 1977 BECAUSE OF INCREASED COMPETITION FROM OTHER SUPPLIERS AND HIGHER DOMESTIC PRICES. IMPORTS ARE PROJECTED TO INCREASE BY ABOUT 15 PERCENT LARGELY BECAUSE OF RECENT LIBERALIZATION OF INDIAN IMPORT POLICY FOR INDUSTRIAL EQUIPMENT AND RAW MATERIALS WITH THE PRIMARY OBJECTIVE OF PROVIDING COMPETITION TO DOMESTIC PRODUCERS, REDUCING PRICES, AND IMPROVING QUALITY STANDARDS OF DOMESTIC PRODUCTS. POL PRICES ARE ALSO EXPECTED TO INCREASE SUBSTANTIALLY BEGINNING JANUARY 1, 1977, REFLECTED IN THE PROJECTED HIGHER IMPORTS IN CY 1977. FOOD AND FERTILIZER IMPORTS ARE EXPECTED TO DECLINE SUBSTANTIALLY NEXT YEAR BECAUSE OF GREATER DOMESTIC AVAILABILITY. NOTE: BOTH EXPORT AND IMPORT TOTALS ARE COMPILED ON FOB BASIS; INSURANCE AND FREIGHT COSTS ARE INCLUDED IN "IMPORT OF SERVICES" ACCOUNT. BECAUSE OF ANTICIPATED HIGHER SHIPPING CHARGES DUE TO LARGER POL PRICES, PAYMENT FOR "IMPORT OF SERVICES" IS LIKELY TO SHOW A SUBSTANTIAL INCREASE IN CY 1977.

B. NET PRIVATE TRANSFERS - AFTER TOUCHING RECORD LEVELS IN CY 1975 AND CY 1976, REMITTANCES BY INDIANS OVERSEAS ARE EXPECTED TO LEVEL OFF AND POSSIBLY DECLINE IN CY 1977 BECAUSE OF THE CURRENT UNCERTAIN CURRENCY FLUCTUATIONS IN INTERNATIONAL MARKETS.

C. LONG TERM CAPITAL - BECAUSE OF LARGE
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ACCUMULATION OF FOREIGN EXCHANGE RESERVES IN CY 1975 AND CY 1976, IT IS ASSUMED THAT NET FOREIGN AID WILL DECLINE SOMEWHAT IN CY 1977.

D. USE OF IMF CREDIT - INDIA IS LIKELY TO REPAY IN FULL OUTSTANDING OBLIGATIONS TO IMF OF SDRS 406.3 MILLION IN CY 1977 BECAUSE OF ITS LARGE FOREIGN EXCHANGE HOLDINGS. SCHNEIDER

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